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SUBJECT: SE WILLIAMSON MEETING WITH NORWEGIAN PETROLEUM ENVOY ANDERS HANNEVIK

11. (SBU) SUMMARY: During Special Envoy Richard Williamson's August 9 meeting in Khartoum with Norwegian Petroleum Envoy Anders Hannevik, Williamson advocated NCP-SPLM negotiations on sharing petroleum revenues and on determining the North-South border in advance of the 2011 Referendum in which Southern Sudan is widely expected to vote for independence. Hannevik said the talks should proceed parallel to the Abyei boundary mediation process in The Hague. Unfortunately, both the NCP and SPLM expect to win a decision in the mediation process, and are not actively pursuing a wider political solution in advance of 2011. This situation could potentially lead to a renewed war. END SUMMARY

NCP AND SPLM AWAITING POSITIVE
VERDICT FROM ABYEI MEDIATION

12. (SBU) Hannevik concurred with SE Williamson that both CPA partners, NCP and SPLM, had been surprised and alarmed at how quickly the recent Abyei conflict had spiraled out of control, as well as at the recent JEM attack on Omdurman. As a result, he said, there is an element of "exhaustion" in the two sides sitting back to await a decision from The Hague on the Abyei borders. Both sides seem confident of a decision in their favor - an assessment with which SE Williamson and CDA Fernandez agreed. Williamson cautioned that it seems no more likely that the two sides will accept this mediation decision than they had the original Abyei Boundary Commission (ABC) decision in 2005.

13. (SBU) The Norwegian said the two sides would be making a big mistake to sit back and wait six months for a decision to emerge from The Hague. Instead, he argued for negotiations between the two sides over the larger issues of sharing oil revenues, and on solving the wider border disagreements between North and South. Hannevik said the talks would be long, due to the number of very complex issues involved. The talks should be supported by technical experts from the international community since neither side has the time or staff to carry this out. Hannevik ventured that the talks could take six months.

14. (SBU) One key approach is to separate the issues of oil revenue from territory, Hannevik stressed. On the issue of Abyei, the North is far more interested in securing oil revenues from the contested area, while the issue of territory is foremost in the mind of the SPLM. SE Williamson agreed, noting that once the petroleum issue is solved, the issue of territory should follow fairly easily.

TALKS SHOULD PREPARE FOR SEPARATION IN 2011

15. (SBU) The aim of the bilateral talks should be to prepare the way for possible separation of Southern Sudan from the rest of the country as a result of the 2011 referendum. "We haven't even

started to solve the problems of 2011," Hannevik warned. Both Hannevik and Williamson agreed that the issue needs to be addressed; one complicating factor is that the two sides would criticize this approach as proof that the international community is not committed to pursuing national unity for Sudan, which is an ostensible aim of the CPA process. However, both Williamson and Hannevik agreed that this criticism could be addressed with the justification that the prospect of war means it would be best to prepare for the contingency of independence. The fact remains that, as far as oil revenues in the short run, both sides need each other.

PROSPECT OF WAR SHOULD FOCUS MINDS

¶6. (SBU) The two sides need to sort out the issue of oil revenues before 2011 because the South has the lion's share of the oil, while the North has the necessary infrastructure. This is the rationale behind a revenue sharing agreement, Hannevik said. Failing an agreement, renewed war could result. He added that the economic arguments - the inevitable revenue losses to both sides from armed conflict - make a very convincing case for an agreement. Williamson agreed, noting that the North can't survive without the oil revenue, but the South won't get the revenue if they can't get the oil to market.

¶7. (SBU) Williamson also agreed on the possibility of war if a satisfactory agreement is not worked out prior to 2011. If an agreement on oil revenue is not achieved, he said, the North would feel it has two choices: start a war before the referendum, or start a war after the referendum.

¶8. (SBU) Hannevik said oil revenue sharing was one of the big

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success stories of the CPA process. The South has received \$4.2 billion (USD) to date since 2005. As a result of the AEC activities, in particular the work of the Wealth Sharing Working Group, the SPLM is gradually becoming aware of the transparency of the oil revenue sharing process. "The South's perception that it's being cheated on a daily basis is disappearing," he said. He added that frequently, in cases where the South complains of delays in revenue transfers (as took place last December), the fault turns out to lie with the South. In particular, the Bank of Southern Sudan has been known to delay transfers to the GoSS for weeks, so that some officials can earn interest on oil deposits.

SOUTH IS SUSPICIOUS OF AN AGREEMENT, PUSHES NEW PIPELINE

¶9. (SBU) The South is suspicious of the utility of an agreement to share the pipeline infrastructure, Hannevik said; Southern leaders say they would remain vulnerable to a decision by the North to close the pipeline. For that reason, they are keen to build a new pipeline from Southern Sudan along an alternate southern route that would bypass the north in getting oil to market. Hannevik's GoSS interlocutors have told him a new pipeline could be constructed in 18 months, but in his view that is far too ambitious. "It would take years," he said. "It is simply not feasible to have a new pipeline in place by 2011." Given the prospect of war between the two sides, only extreme risk-takers would be willing to invest in a new pipeline now - and they would demand a hefty premium for their investment, he added. A pipeline could be constructed much more cheaply after the referendum.

¶10. (SBU) Hannevik and SE Williamson agreed the two sides need to be encouraged to begin negotiations. Left to their own devices, the two sides would just put off meaningful discussions. "We need to push them" to negotiate, he said. Hannevik said the two sides have shown increased interest of late in dealing with these issues. In addition, the atmosphere between the two is better now that it has been in some time.

POSSIBLE INTERLOCUTORS

¶11. (SBU) Hannevik, SE Williamson and CDA Fernandez discussed those who need to be involved in the discussions. Hannevik said one key person from the South is GoSS Vice President Riak Machar. He is an experienced negotiator, he's pragmatic, and he wants results. The CDA agreed that Machar is a good choice, but cautioned that he is corrupt and not trusted by the rest of the SPLM. The delegation would have to be balanced with other figures. On the NCP side, Hannevik said the Norwegian Government had found it most useful dealing with Yahia Hussein Bebiker (of the Joint National Transition Team) and presidential adviser Sayed al Khateeb; both were very pragmatic, he said.

¶12. (SBU) On the issue of a venue for the negotiations, SE Williamson cautioned that, particularly on the SPLM side, "they're not going to trust anyone to be gone for two months." Also, some individuals might not want to be outside the country for so long, fearing that they might not have a position to return to.

FIRST THINGS FIRST: ROLE FOR USG

¶13. (SBU) The immediate task to getting the talks started is "to convince the two sides that there are good reasons to have parallel talks along with (The Hague) mediations," said Hannevik. He believes this is where the USG has a vital role to play in encouraging the two sides to sit down together.

PLAYING THE CHINA CARD

¶14. (SBU) SE Williamson asked Hannevik his opinion as to whether there was a role for China to play in the proposed negotiations. Hannevik replied that the Chinese could pressure the NCP, and it's in their interest to find a peaceful solution to these dilemmas, "so their involvement would help the case."

¶15. (SBU) COMMENT: Hannevik is extremely well versed on the role of oil in the dynamics between the NCP and the SPLM, and is an astute observer of Sudanese politics. He is correct in calling for early negotiations between the two sides to iron out the contentious and related issues of territory and petroleum revenues in advance of the 2011 referendum. Hannevik's comments reflect an emerging

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consensus among ourselves and other key embassies in Khartoum: the issue of oil revenue must be separated from that of territory. It would be well worth our while to work together with our partners in pushing the two sides to the negotiating table, and then facilitating the talks by making experts available. But both the NCP and SPLM seem focused on more pressing matters, while Sudan's current oil bounty flows unabated.

¶16. (U) SE Williamson cleared this cable prior to transmission.

FERNANDEZ